NABHA POWER LIMITED

NPL
Nabha Power Limited

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Letter.No.: NPL/CD/PM/CERC/SCRC/201005/1 05.10.2020

Secretary,
Central Electricity Regulatory Commission
3rd and 4th Floor, Chandralok Building,
36, Janpath, New Delhi – 110001

Subject: Re: Mechanism for Compensation on account of change in law for compliance with Revised Emission Standards notified by MoEF&CC in respect of Competitively Bid Thermal generating – Staff Paper thereof.

Ref: Your notice no. EN-(01)/8/2020-CERC, dated 05th Sept 2020

Dear Sir,

In reference to your notice above, please find enclosed comments on the same on behalf of Nabha Power Limited (NPL), which owns and operates 2X700 MW Coal fired Super-Critical Thermal Power Plant at Rajpura, Punjab.

This is for your kind consideration.

Thanking you,

For Nabha Power Limited

(Authorized Signatory)

Encl: As above

Comments on CERC Staff Paper			
S. No.	**Clause**	**As per Staff Paper**	**NPL Comments**
1	1.4	"... FGD system. Similarly, as regards opportunity cost i.e. revenue/ tariff which may not be available to the generator during the period of plant shutdown for integration of the FGD system with the generating station, it has been decided that the same would be considered after installation of FGD system."	During integration of FGD, power plant should be considered as Deemed Available for generation to ensure recovery of Capacity Charges
2	4.10	Considering the fact that any compensation mechanism needs to be based on the principle of restitution, there can be no expectation of profit in any component of tariff.	1. Return on equity must be available for the developer at par with CERC project RoE as per tariff regulation 2019-2024, which currently stands at 15.5% or 2. 100% debt funding should be made mandatory or 3. Equity funding, upto 30% of the project cost must be paid upfront by the DISCOM
3	4.2	During operation period, the expenditure on installation of ECS will be an additional capital expenditure. It would include base cost of ECS, taxes and duties, IDC (interest during construction) and miscellaneous costs associated with installation of ECS. This additional capital expenditure needs to be serviced by way of increase in monthly tariff spread over useful life of the ECS through Supplementary Capacity Charges (SCC) which includes:	For Section-63 plants, Capex must be recoverable within the tenure of the PPA, in order to restore the affected party to the same economic condition as if the change in law had not occurred
4	4.3 (i)	As per the Companies Act, 2013, the useful life of thermal generating station or asset is 40 years.	
5	4.4	Therefore, while considering the useful life of ECS as 25 years, it has been assumed that the useful life of the generating station would be subsequently extended.	
6	4.13	The Commission, in some of the orders7, has allowed provisional first year O&M expenses @2% of capital expenditure for installation of FGD (excluding IDC and FERV) admitted by the Commission after prudence check....	FGD is a new technology in the country and there is no existing reference data on O&M expense. Currently, the O&M expenses must be approved @ 3% of Capex with inflation @ 4.5% or as per latest CERC notified escalation index. This can be reviewed after 3 years of operation, and true up can be done accordingly
7	4.15	Supplementary Annual Capacity Charges (SACC)	SACC must be limited to the existing PPA period

8	4.16	Additional Operational Expenses due to Consumption of Reagent (AOECOR):	The formula appears to calculate limestone consumption based on stoichiometry, however, actual limestone consumption in FGD system depends upon so many other factors, like presence of impurities and their hindrance to chemical reaction, loss of limestone from the system as unreactive limestone etc. Further, design efficiency has been considered for limestone consumption calculation, however, FGD efficiency will vary upon the factors like load, inlet dust burden, impurities in limestone etc. Further, ageing of the FGD plant will also degrade FGD efficiency. Supplementary Energy Charges (Rs Cr) = [Landed Cost of limestone Rs/MT x Consumption of Limestone at Normative system efficiency and Actual limestone purity] Limestone consumption costs should be completely pass-through in respect of both quality as well as quantity on actuals
9	4.18	Additional Auxiliary Energy Consumption	Auxiliary power consumption on account of FGD does not have a proportional relation with generation or load. Further, FGD equipment degeneration should also be taken into consideration. We suggest the additional aux must be considered at 1% of **installed capacity** or higher
10	-	Miscellaneous	The fixed charges for FGD should not be linked with the normative availability of plant and ECS, to ensure full recovery of additional investment made by the company
11			Separate methodolgy of reimbursment should be adopted for Case 2 scenario 4 plants, since 100% capacity of such plants is tied up with DISCOM under long term PPA